

FIRST REGULAR SESSION

SENATE BILL NO. 633

94TH GENERAL ASSEMBLY

INTRODUCED BY SENATORS LOUDON AND RIDGEWAY.

Read 1st time February 28, 2007, and ordered printed.

TERRY L. SPIELER, Secretary.

0737S.02I

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to income tax exemptions for military pensions, with an effective date.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 143.124, RSMo, is repealed and one new section
2 enacted in lieu thereof, to be known as section 143.124, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, the
2 total amount of all annuities, pensions, or retirement allowances above the
3 amount of six thousand dollars annually provided by any law of this state, the
4 United States, or any other state to any person except as provided in subsection
5 4 of this section, shall be subject to tax pursuant to the provisions of this chapter,
6 in the same manner, to the same extent and under the same conditions as any
7 other taxable income received by the person receiving it. For purposes of this
8 section, annuity, pension, or retirement allowance shall be defined as an annuity,
9 pension or retirement allowance provided by the United States, this state, any
10 other state or any political subdivision or agency or institution of this or any
11 other state, **except for any annuity, pension, or retirement allowance**
12 **provided as a result of service in the armed forces of the United States**
13 **or a reserve component thereof.** For all tax years beginning on or after
14 January 1, 1998, for purposes of this section, annuity, pension or retirement
15 allowance shall be defined to include 401(k) plans, deferred compensation plans,
16 self-employed retirement plans, also known as Keogh plans, annuities from a
17 defined pension plan and individual retirement arrangements, also known as
18 IRAs, as described in the Internal Revenue Code, but not including Roth IRAs,
19 as well as an annuity, pension or retirement allowance provided by the United
20 States, this state, any other state or any political subdivision or agency or

21 institution of this or any other state. An individual taxpayer shall only be
22 allowed a maximum deduction of six thousand dollars pursuant to this
23 section. Taxpayers filing combined returns shall only be allowed a maximum
24 deduction of six thousand dollars for each taxpayer on the combined return.

25 2. For the period beginning July 1, 1989, and ending December 31, 1989,
26 there shall be subtracted from Missouri adjusted gross income for that period,
27 determined pursuant to section 143.121, the first three thousand dollars of
28 retirement benefits received by each taxpayer:

29 (1) If the taxpayer's filing status is single, head of household or qualifying
30 widow(er) and the taxpayer's Missouri adjusted gross income is less than twelve
31 thousand five hundred dollars; or

32 (2) If the taxpayer's filing status is married filing combined and their
33 combined Missouri adjusted gross income is less than sixteen thousand dollars;
34 or

35 (3) If the taxpayer's filing status is married filing separately and the
36 taxpayer's Missouri adjusted gross income is less than eight thousand dollars.

37 3. For the tax years beginning on or after January 1, 1990, there shall be
38 subtracted from Missouri adjusted gross income, determined pursuant to section
39 143.121, a maximum of the first six thousand dollars of retirement benefits
40 received by each taxpayer from sources other than privately funded sources, and
41 for tax years beginning on or after January 1, 1998, there shall be subtracted
42 from Missouri adjusted gross income, determined pursuant to section 143.121, a
43 maximum of the first one thousand dollars of any retirement allowance received
44 from any privately funded source for tax years beginning on or after January 1,
45 1998, but before January 1, 1999, and a maximum of the first three thousand
46 dollars of any retirement allowance received from any privately funded source for
47 tax years beginning on or after January 1, 1999, but before January 1, 2000, and
48 a maximum of the first four thousand dollars of any retirement allowance
49 received from any privately funded source for tax years beginning on or after
50 January 1, 2000, but before January 1, 2001, and a maximum of the first five
51 thousand dollars of any retirement allowance received from any privately funded
52 source for tax years beginning on or after January 1, 2001, but before January 1,
53 2002, and a maximum of the first six thousand dollars of any retirement
54 allowance received from any privately funded sources for tax years beginning on
55 or after January 1, 2002. A taxpayer shall be entitled to the maximum exemption
56 provided by this subsection:

57 (1) If the taxpayer's filing status is single, head of household or qualifying
58 widow(er) and the taxpayer's Missouri adjusted gross income is less than
59 twenty-five thousand dollars; or

60 (2) If the taxpayer's filing status is married filing combined and their
61 combined Missouri adjusted gross income is less than thirty-two thousand dollars;
62 or

63 (3) If the taxpayer's filing status is married filing separately and the
64 taxpayer's Missouri adjusted gross income is less than sixteen thousand dollars.

65 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income
66 ceiling for such taxpayer's filing status, as provided in subdivisions (1), (2) and
67 (3) of subsection 3 of this section, such taxpayer shall be entitled to an exemption
68 equal to the greater of zero or the maximum exemption provided in subsection 3
69 of this section reduced by one dollar for every dollar such taxpayer's income
70 exceeds the ceiling for his or her filing status.

71 5. For purposes of this section, any Social Security benefits otherwise
72 included in Missouri adjusted gross income shall be subtracted; but Social
73 Security benefits shall not be subtracted for purposes of other computations
74 pursuant to this chapter, and are not to be considered as retirement benefits for
75 purposes of this section.

76 6. The provisions of subdivisions (1) and (2) of subsection 3 of this section
77 shall apply during all tax years in which the federal Internal Revenue Code
78 provides exemption levels for calculation of the taxability of Social Security
79 benefits that are the same as the levels in subdivisions (1) and (2) of subsection
80 3 of this section. If the exemption levels for the calculation of the taxability of
81 Social Security benefits are adjusted by applicable federal law or regulation, the
82 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
83 be accordingly adjusted to the same exemption levels.

84 7. The portion of a taxpayer's lump sum distribution from an annuity or
85 other retirement plan not otherwise included in Missouri adjusted gross income
86 as calculated pursuant to this chapter but subject to taxation under Internal
87 Revenue Code Section 402 shall be taxed in an amount equal to ten percent of the
88 taxpayer's federal liability on such distribution for the same tax year.

89 8. For purposes of this section, retirement benefits received shall not
90 include any withdrawals from qualified retirement plans which are subsequently
91 rolled over into another retirement plan.

92 9. The exemptions provided for in this section shall not affect the

93 calculation of the income to be used to determine the property tax credit provided
94 in sections 135.010 to 135.035, RSMo.

95 10. The exemptions provided for in this section shall apply to any annuity,
96 pension, or retirement allowance as defined in subsection 1 of this section to the
97 extent that such amounts are included in the taxpayer's federal adjusted gross
98 income and not otherwise deducted from the taxpayer's federal adjusted gross
99 income in the calculation of Missouri taxable income. This subsection shall not
100 apply to any individual who qualifies under federal guidelines to be one hundred
101 percent disabled.

102 **11. Other provisions of law to the contrary notwithstanding, the**
103 **total amount of all annuities, pensions, or retirement allowances**
104 **provided as a result of service in the armed forces of the United States**
105 **or a reserve component thereof shall be exempt from taxation under**
106 **this chapter.**

Section B. Section A of this act shall become effective January 1, 2008.

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Bill

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